THE MALAWI CONFEDERATION OF CHAMBERS OF COMMERCE & INDUSTRY

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ECONOMIC AND BUSINESS REVIEW

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ECONOMIC GROWTH PROSPECTS

Commentary

There is growing optimism that the Malawian economy will gradually recover in 2025, with real GDP expected to rebound to four percent up from 1.8 percent in 2024. This growth is primarily driven by expected improvements in agriculture, mining, and tourism. However, businesses continue to face structural challenges, including foreign exchange shortages, high production costs, and underutilization of capacity. Inflation remained elevated at 28.5 percent, with food inflation reaching 36.0 percent, largely due to rising maize prices and supply chain disruptions caused by El Niño-induced weather patterns. Despite these economic headwinds, monetary policy remained steady, with the policy rate held at 26 percent to curb inflationary pressures. The Malawi Kwacha exhibited stability in the official exchange market, but forex shortages continue to drive up import costs, impacting production and consumer prices.

In the agricultural sector, maize prices surged by 21 percent in January, averaging MK1,283/kg due to limited domestic supply and increased reliance on imports. Tea production declined by 27 percent year-on-year, though cumulative seasonal production showed resilience. Meanwhile, tobacco production is expected to increase by 31 percent, yet remains below market demand, emphasizing the need for improved productivity and efficiency.

In the financial sector, private sector credit growth slowed to 18.7 percent, reflecting tightening credit conditions and reduced business borrowing, while public sector borrowing increased, crowding out private sector access to affordable financing. This suggests businesses should expect high borrowing costs and may need to explore alternative financing options, including partnerships, foreign investment, and capital markets. Meanwhile, the stock market registered a strong performance, with the Malawi All Share Index (MASI) surging by 29.90 percent, reflecting increased investor confidence. Investors should take advantage of equity market opportunities, while businesses listed on the stock exchange could explore capital raising through secondary offerings.

The forex market remained under pressure, with the Kwacha showing stability in official markets but experiencing shortages that continue to affect businesses reliant on imported raw materials. To mitigate forex risks, the government should prioritize export-oriented production and explore diversification strategies.

1. Section 1: Real Sector Developments

This section provides an analysis of Real GDP, Inflation as well as Domestic Production.

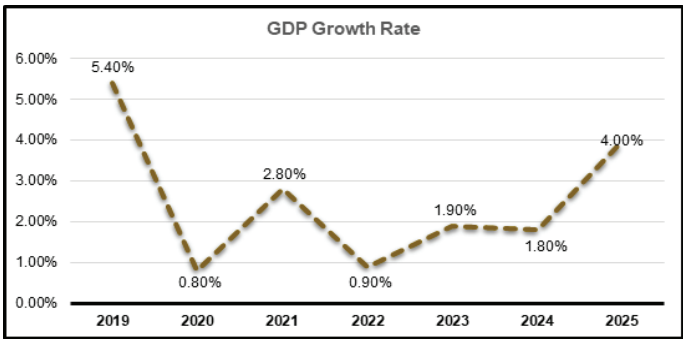
i. Real Economic Activity

Malawi's economy continues to struggle for recovery in 2025 following a challenging 2024. According to the Reserve Bank of Malawi (RBM), real Gross Domestic Product (GDP) is projected to rebound to four percent, up from 1.8 percent in 2024, largely driven by expected improvements in agriculture, mining, and tourism. However, significant risks remain, as many of the structural issues that hindered business performance in 2024 persist. The scarcity of foreign exchange, high production costs, and underutilization of business capacity continue to pose challenges for businesses. The forex shortage, in particular, has limited the importation of essential inputs, restricting productivity and competitiveness.

To support economic recovery, foreign exchange policies must prioritize allocating forex to export-oriented businesses, as this will help generate additional foreign currency and stabilize trade dynamics. In agriculture, the success of the Mega Farms Initiative will depend on improvements in efficiency, the adoption of modern farming techniques, and investments in irrigation to boost yields and ensure food security. The mining sector, another potential driver of growth, requires contract reviews to ensure fair benefits for the country, alongside necessary regulatory reforms and infrastructure development. Additionally, the tourism sector presents an opportunity for foreign exchange earnings, and its growth will depend on infrastructure improvements, strategic marketing, and supportive policies.

While the 4.0 percent GDP growth projection is promising, achieving it will require a holistic approach that addresses foreign exchange constraints, enhances agricultural productivity, ensures equitable mining agreements, and promotes a vibrant tourism industry.

Figure 1: Annual Economic Growth rates



Source: Ministry of Finance and Economic Affairs

ii. Inflation Rate

As of January 2025, Malawi's year-on-year inflation rate stands at 28.5 percent, reflecting a marginal increase from 28.1 percent in December 2024. This slight uptick is primarily driven by persistent price pressures in both the food and non-food categories.

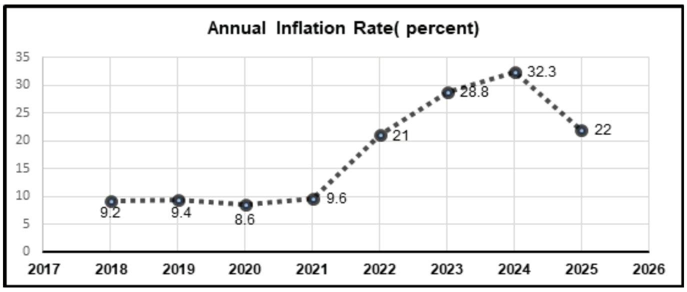
Food inflation, the dominant contributor to overall inflation, rose to 36.0 percent in January 2025, up from 35.6 percent in December 2024. This increase is largely attributed to higher prices of maize and other staple foods, driven by seasonal shortages, rising transportation costs, and supply chain disruptions exacerbated by El Niño-induced weather patterns affecting agricultural output.

Meanwhile, non-food inflation edged up slightly to 16.9 percent from 16.8 percent in December 2024, reflecting a 0.1 percentage point increase. This moderate rise is linked to higher costs of essential goods and services and partly due to foreign exchange shortages and rising import costs.

Looking ahead, inflationary pressures are expected to persist in the short term as Malawi continues to face domestic supply constraints and external economic challenges. However, the Reserve Bank of Malawi (RBM) projects that the annual inflation rate will decline by 10.3 percentage points, reaching 22 percent in 2025, down from 32.3 percent in 2024.

However, to support inflation stabilization and food security, policymakers may need to prioritize enhancing ADMARC's efficiency, promoting winter cropping, and investing in irrigation systems to boost agricultural resilience and reduce dependency on rain-fed farming.

Figure 2: Inflation Rates



Source: Reserve Bank of Malawi

iii. Domestic Production

This part of the analysis covers developments in tea, tobacco and maize production.

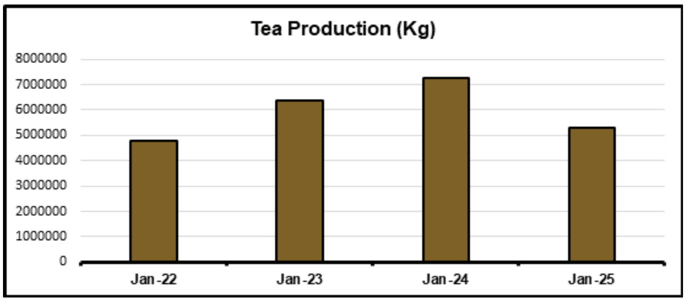
A. Tea Production

In January 2025, Malawi's tea production totaled 5,289,559 kg, reflecting a 27 percent decline from the 7,250,108 kg recorded in January 2024. This drop is significant, as January is traditionally a peak production month due to favorable weather conditions.

However, despite this monthly decline, cumulative tea production for the 2024/25 season rose to 21,651,385 kg, up from 20,071,469 kg in the 2023/24 season, marking a 7.9 percent increase. This overall growth highlights the sector's resilience, even in the face of El Niño-induced weather challenges and delayed rainfall at the end of 2024, which severely impacted other agricultural sectors.

Tea production is expected to remain high until April 2025, after which it will begin to decline in line with seasonal production patterns. The peak period, typically spanning from November to April, is driven by favorable rainfall, optimal temperatures, and adequate soil moisture, which support healthy leaf growth.

Figure 3: Tea Production Statistics



Source: Tea Association of Malawi

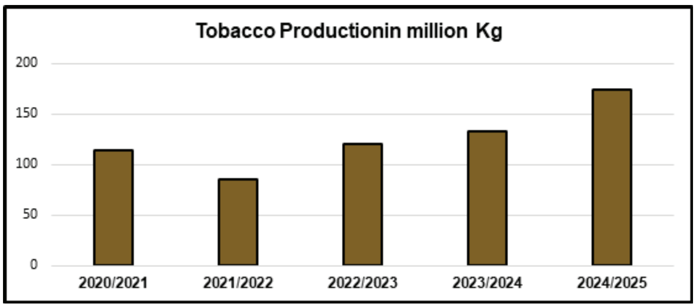
B. Tobacco Production

The 2024/2025 tobacco production in Malawi is expected to increase significantly compared to the previous season. According to the Tobacco Commission, the first-round production estimate stands at 174.4 million kg, reflecting a 31 percent increase from the 133 million kg recorded in the 2023/2024 season. This projected rise is attributed to an increase in hectarage and the number of registered growers, driven by favorable prices in 2024, expanded sponsorship programs, and improved access to inputs and labor. However, despite this positive outlook, estimated production remains below the registered market demand of 213 million kg for the 2024/2025 season, highlighting the need for further improvements in productivity and efficiency.

While the estimates for increased production is promising, several risks could negatively impact actual output. Delays in the onset of rains, dry spells during early growth stages, and worm infestations have already affected some tobacco-growing areas. Additionally, hailstorms have caused damage in certain districts, potentially lowering yields. These challenges underscore the vulnerability of Malawi's agriculture sector to climate variability and pest outbreaks, necessitating better risk management strategies, early warning systems, and investment in climate-resilient farming practices.

Tobacco remains Malawi's largest foreign exchange earner, projected to contribute approximately 60 percent of total export revenues. However, reliance on a single crop exposes the economy to external shocks, price volatility, and fluctuating global demand. To enhance economic resilience, it is crucial for Malawi to diversify its export base by investing in high-value crops, agro-processing industries, and emerging sectors such as mining and tourism. Strengthening alternative export markets will help reduce dependency on tobacco, ensuring more stable forex earnings and sustainable economic growth in the long term.

Figure 4: Tobacco Production



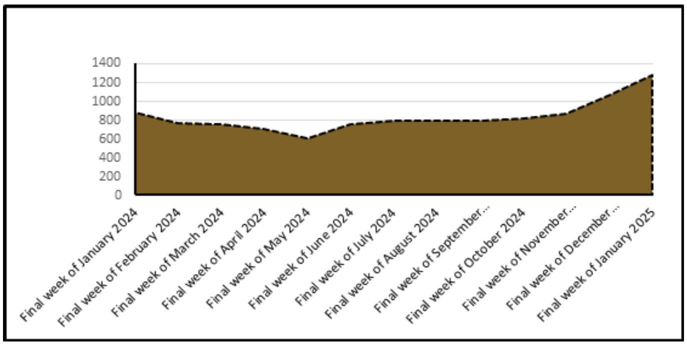
Source: Tobacco Commission of Malawi

C. Maize Market

According to the International Food Policy Research Institute (IFPRI), in January 2025, maize retail prices surged significantly, averaging K1,283 per kg in the final week of the month, a 21 percent increase from K1,063 per kg recorded in the last week of December 2024. This sharp rise is primarily driven by limited domestic supply, following a poor harvest in 2024, which has left Malawi heavily reliant on maize imports, predominantly from Tanzania, with additional supply now coming from Mozambique. However, due to the ongoing foreign exchange shortages in official markets, many traders are sourcing forex from the parallel market, where exchange rates are significantly higher, further driving up maize prices. Additionally, the continued depreciation of the Malawian Kwacha on the parallel market, which weakened from K3,100/$ in December 2024 to around K3,700/$ in January 2025, has escalated the cost of imported maize, intensifying price pressures and limiting affordability for many households.

This upward trend in maize prices reflects a nationwide pattern, affecting all three regions of Malawi, though the magnitude of price changes varies by location. Given maize's central role in Malawian diets, persistent price hikes pose serious food security concerns, particularly for low-income households, who may struggle to afford staple foods.

Figure 5: Maize retail prices for final week of the months



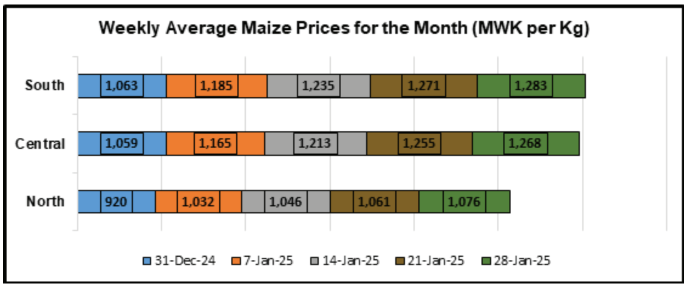
Source: IFPRI

In January 2025, the Southern Region consistently recorded the highest average maize prices, reaching K1,365/kg in the final week of the month. In comparison, the Central Region reported an average price of K1,268/kg, while the Northern Region had the lowest average price at K1,076/kg. These figures represent a 17 percent price increase in the Northern Region, a 20 percent increase in the Central Region, and a 23 percent rise in the Southern Region compared to the last week of December 2024.

The regional price differences are primarily driven by variations in maize supply sources, transportation costs, and demand levels. The Northern Region benefits from informal maize inflows from Tanzania and northern Zambia, helping to stabilize prices to some extent. However, as maize moves southward, several factors contribute to higher costs, including increased transportation and logistical expenses, and greater demand pressures, particularly in major urban centers like Blantyre. Additionally, the Southern Region experiences more pronounced supply shortages, exacerbating price spikes.

Given these regional disparities, maize affordability remains a significant challenge, particularly in the South, where consumers face the highest prices. With foreign exchange shortages persisting, traders continue to rely on the parallel forex market, further inflating maize costs. If the situation remains unaddressed, food insecurity risks will continue to intensify, especially for low-income households in the most affected areas.

Figure 6: Average Maize Prices during the Month



Source: IFPRI

Section 2: Financial Sector Developments

This section looks at developments in monetary policy, access to credit and stock markets.

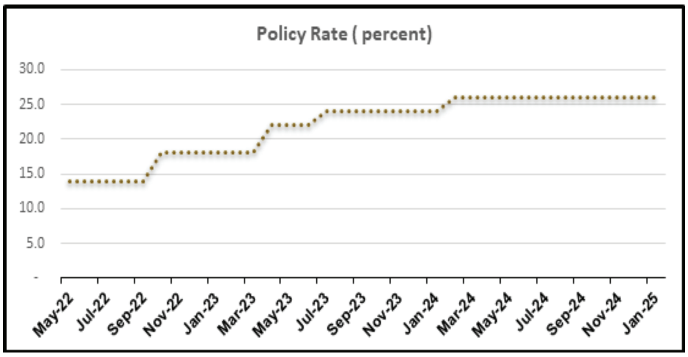
i. Monetary Policy

In January 2025, the policy rate remained steady at 26 percent, marking the ninth consecutive month since its increase in March 2024. The Lombard rate was also held at 20 basis points above the policy rate, while the Liquidity Reserve Requirement (LRR) ratios stayed unchanged at 10.0 percent for local currency deposits and 3.75 percent for foreign currency deposits. This decision was informed by the food and non-food inflation trends observed in the last quarter of 2024, as well as the inflation projections for 2025.

Given the inflation driven by supply-side factors, the Monetary Policy Committee (MPC) concluded that monetary policy should be supplemented with initiatives aimed at enhancing economic productivity and strengthening foreign exchange reserves.

The Committee noted a rise in food prices in December 2024, attributed to robust supply-side influences. However, they anticipate a decline in these prices by the end of the first half of 2025, thanks to food relief response initiatives during the lean season and the upcoming crop harvest. Consequently, the MPC reiterated the need for monetary policy to be complemented by strategies that foster economic productivity and support the bolstering of foreign exchange reserves.

Figure 7: Trends of Policy rate



Source: Reserve Bank of Malawi

ii. Stock Market Developments

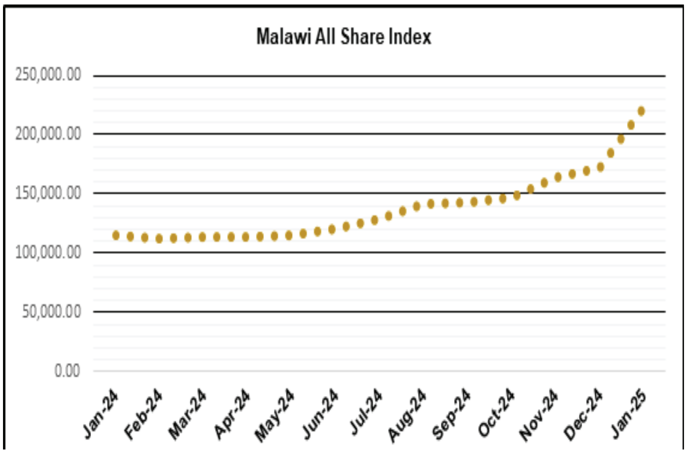
In January 2025, the market recorded a total transaction volume of 33.23 million shares, amounting to a total value of MK9.78 billion (US$5.64 million) across 2,060 trades. This represents a significant shift from December 2024, when 78.78 million shares were traded at a total consideration of MK8.58 billion (US$4.95 million) in 1,552 transactions.

Comparatively, the volume of shares traded in January 2025 decreased sharply by 57.82 percent, while the total value of shares traded saw an increase of 13.99 percent in both local currency and US dollar terms. The rise in total trade value, despite the lower transaction volume, suggests a shift toward higher-value stock trades or increased market valuations.

The market registered a positive return on the index, as evidenced by the significant upward movement of the Malawi All Share Index (MASI). The index rose from 172,039.93 points in December 2024 to 223,474.92 points in January 2025, reflecting a strong month-on-month gain of 29.90 percent.

The notable rise in the MASI suggests improved investor confidence, stronger market performance, and potentially higher valuations of listed stocks. This growth may have been driven by factors such as increased demand for certain equities, improved corporate earnings, or broader macroeconomic developments favoring the stock market.

Figure 8: Malawi All Share Index.

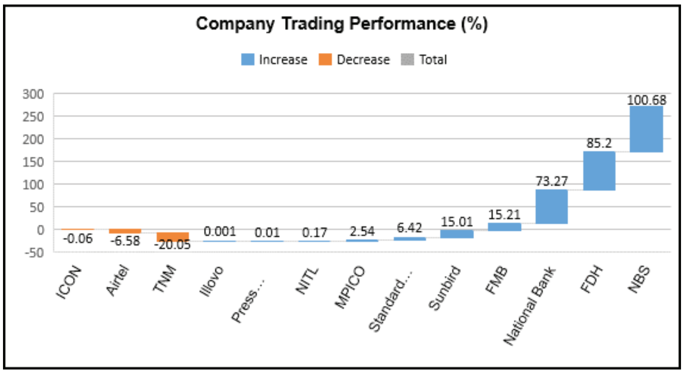


Source: Malawi Stock Exchange

The overall upward movement of the Malawi All Share Index (MASI) was primarily driven by notable share price gains across multiple counters. Leading the gainers was NBS, which recorded an impressive 100.68 percent increase, followed by FDH Bank (FDHB) at 85.20 percent and National Bank of Malawi (NBM) at 73.27 percent. Other significant price appreciations included FMB Capital Holdings (FMBCH) (15.21 percent), Sunbird Tourism (15.01 percent), Standard Bank (6.42 percent), MPICO (2.54 percent), National Investment Trust Limited (NITL) (+0.17 percent), Press Corporation Limited (PCL) (0.01 percent), and Illovo Sugar Malawi (+0.001 percent).

These gains were sufficient to offset the downward pressure exerted by share price declines in Telekom Networks Malawi (TNM) (-20.05 percent), Airtel Malawi (-6.58 percent), and ICON Properties (-0.06 percent). As a result, the MASI experienced a net positive movement, reflecting overall market optimism despite losses in select stocks.

Figure 9: Company Trading Performance



Source: Malawi Stock Exchange

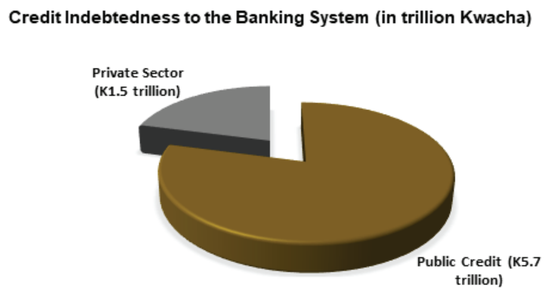
iii. Credit to Private and Public Sector

An analysis of the latest data released by the Reserve Bank of Malawi (RBM) in January 2025 for November 2024 reveals a decline in the annual growth rate of private sector credit, while public sector borrowing from the banking system continued to rise. The public sector's (comprising the central government and state-owned enterprises) indebtedness to the banking system increased by K104.5 billion, reaching K5.7 trillion in November 2024.

Meanwhile, private sector credit growth slowed significantly, with its annual growth rate decelerating to 18.7 percent in November 2024, down from 23.3 percent in October 2024. This decline signals tightening credit conditions and reduced borrowing appetite from businesses, possibly due to high interest rates, economic uncertainty, and forex shortages, which have increased operational costs.

On a monthly basis, the total stock of private sector credit recorded only a marginal increase of K601.3 million, reaching K1.5 trillion by the end of November 2024. The slight increase was primarily driven by household borrowing, with individual household loans rising by K521.6 million, while mortgages grew by K2.5 million during the month. The slow growth in private sector credit suggests that businesses may be struggling to access financing, which could hinder investment, expansion, and overall economic growth.

Figure 10: Credit indebtedness to the banking system



Source: Reserve Bank of Malawi

The rising public sector debt continues to crowd out private sector borrowing, as the government remains heavily reliant on domestic financing. This could exert further pressure on interest rates, making credit even less affordable for businesses. If this trend persists, private sector-led growth could be stifled, affecting job creation and economic recovery efforts.

To address these challenges, policymakers may need to explore alternative strategies to reduce public sector dependence on domestic borrowing, such as enhancing revenue mobilization, restructuring debt, and improving fiscal discipline.

Section 3: External Sector Developments

This section provides an analysis of developments in foreign exchange market, global fuel prices and global commodity prices.

Malawi Kwacha Exchange Rate

D During the month-end review, the Reserve Bank of Malawi conducted a Foreign Exchange Auction on January 9th, 2025, to ascertain the prevailing market clearing price of the Malawi Kwacha (MWK) against the United States Dollar (USD) and other major currencies. Five Authorized Dealer Banks (ADBs) participated in this auction. The results are as follows:

	9th January 2025
Amount offered(USD)	250,000.00
Amount Accepted(USD)	250,000.00
Highest Bid rate Accepted	1,751.00
Lowest Bid rate Accepted	1,751.00
Weighted Average Rate Accepted	**1,751.00**
No. of Participating Banks	5
No. of Bids	5
No. of Successful Banks	5
No. of unsuccessful Banks	0

Based on the results of the auctions, the market selling price remained at MWK1, 751.00 per US Dollar.

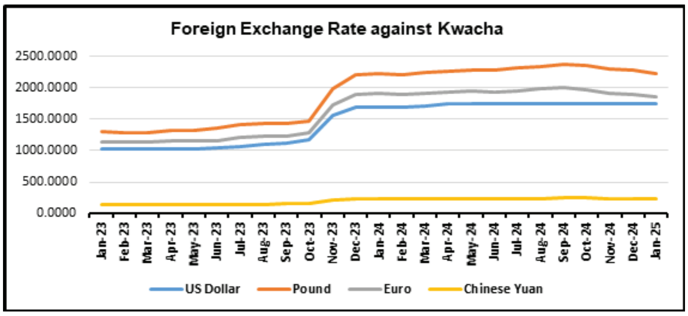
The Malawian Kwacha demonstrated remarkable stability against all major global currencies on the official market. The monthly average official exchange rate against the U.S. dollar experienced only a marginal decline, decreasing from MWK 1,749.98 in December to MWK 1,749.76 in January 2025, reflecting minimal volatility in the forex market.

Similarly, the Kwacha's exchange rate against the Chinese Yuan and South African Rand exhibited slight fluctuations. The Kwacha traded at an average of MWK 237.66 per Yuan, slightly down from MWK 238.20 in December 2024, while against the South African Rand, it depreciated marginally to MWK 95.90, compared to MWK 98.98 in the previous month. These minor adjustments indicate relative stability in Malawi's exchange rate environment despite ongoing foreign exchange constraints.

In contrast, the Kwacha strengthened against the British Pound and the Euro. The exchange rate against the British Pound improved from a monthly average of MWK 2,277.98 in December 2024 to MWK 2,225.43 in January 2025, while against the Euro, it appreciated from MWK 1,887.55 to MWK 1,865.15. These gains suggest improved forex liquidity for certain currency pairs, potentially influenced by a combination of reduced demand for imports, slight increases in forex inflows from remittances, donor support, or export proceeds.

Despite this overall stability in the official exchange market, challenges persist in the parallel forex market, where demand for foreign exchange remains high, leading to a wider exchange rate gap between the official and informal markets. Moving forward, maintaining exchange rate stability will require sustained forex inflows, including increased export earnings, improved foreign direct investment (FDI), and policy measures to manage forex reserves efficiently. The Reserve Bank of Malawi's monetary interventions and fiscal discipline will also play a crucial role in ensuring continued currency stability amid external economic pressures.

Figure 9: Kwacha monthly average exchange rate against trading currencies



Source: Reserve Bank of Malawi

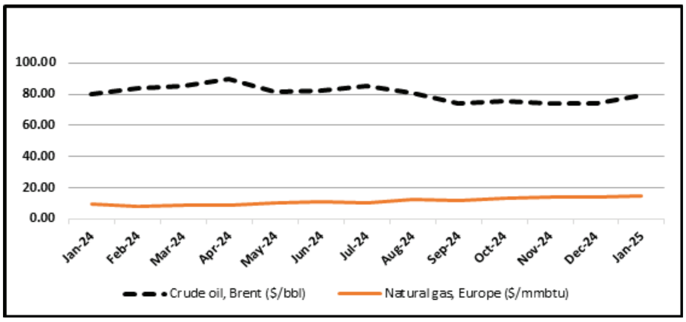
iv. Global Fuel and Commodity Prices

In January 2025, the prices of Brent crude oil and natural gas in Europe saw a notable increase compared to December 2024. Brent crude oil prices rose to $79.21 per barrel, up from $73.83 per barrel, marking a 7.3 percent increase according to the World Bank. Similarly, natural gas prices in Europe surged to $14.66 per million British thermal units (mmbtu), up from $13.86/mmbtu, representing a 5.8 percent rise

The increase in crude oil prices was largely driven by supply constraints and geopolitical tensions. Several oil-producing nations faced production disruptions, reducing global supply. Additionally, OPEC+ continued implementing supply cuts, tightening the market further. Geopolitical instability in key energy-producing regions also contributed to uncertainty, prompting price hikes. On the demand side, global economic recovery, particularly in Asia, boosted oil consumption, further supporting price increases.

Natural gas prices in Europe were significantly influenced by seasonal demand and harsh winter conditions. The cold winter across Europe in early 2025 led to higher demand for heating, pushing up prices. Many European countries remain dependent on gas imports from Norway, the U.S., and liquefied natural gas (LNG) shipments, and with supply chains stretched, prices rose accordingly. Additionally, currency movements and macroeconomic factors played a role in energy price increases. A weaker U.S. dollar made oil and gas more attractive to international buyers, increasing demand and driving up prices.

Figure 10: Brent Crude oil prices (US$/bb/) and Natural Gas, Europe



Source: World Bank

Looking ahead, Brent crude oil prices are expected to remain volatile, influenced by OPEC+ production decisions, global economic conditions, and geopolitical risks. If supply remains tight and demand continues to recover, oil prices could stabilize around $80–$85 per barrel in the short term. However, if economic slowdowns occur or non-OPEC oil production increases, prices may decline. Similarly, natural gas prices in Europe are likely to remain elevated in the short term due to continued winter demand and supply chain constraints. However, as the heating season ends and gas inventories stabilize, prices may gradually decline by mid-2025.

UPCOMING BUSINESS EVENTS

The following are the business events that MCCCI is facilitating in the first quarter of 2025, respectively:

DATES	EVENT NAME	EVENT DESCRIPTION	REGION
March 12	MCCCI Single Digital Portal	The official launch of the MCCCI SDP, a platform designed to integrate membership details, trade data, tenant information, and other services in order to provide streamlined access for MCCCI members, tenants, traders, investors, promoters, and the general public on the services provided by MCCCI	South
March 13 &14 March 20 & 21 March 20 & 21	Regional Training Workshops	Structured sessions organized by MCCCI to enhance skills and knowledge among MCCCI members and non-members in specific areas	South Centre North